

# SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Ducheny Analyst: Darrine Distefano Bill Number: SB 1179

Related Bills: See Prior Analysis Telephone: 845-6458 Amended Date: April 27, 2004

Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Enterprise Zones/Designation Period May Total 20 Years/Technical Changes

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended \_\_\_\_\_.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED March 17, 2004. STILL APPLIES.

☒ OTHER - See comments below.

## SUMMARY

This bill would allow all enterprise zones (EZ) to be designated as an EZ for 20 years if certain criteria are met.

## SUMMARY OF AMENDMENTS

The April 27, 2004, amendments added several co-authors and made a technical change. This amendment does not impact the department's programs or operations.

A revised revenue estimate is provided because the department's analysis of the March 17, 2004, incorrectly stated the bill's initial fiscal year impact. This change also impacts the revenue estimate for fiscal years 2007-2010. The remainder of the department's analysis of the bill for March 17<sup>th</sup> still applies.

## POSITION

Pending.

Board Position:

\_\_\_\_\_ S \_\_\_\_\_ NA \_\_\_\_\_ NP  
\_\_\_\_\_ SA \_\_\_\_\_ O \_\_\_\_\_ NAR  
\_\_\_\_\_ N \_\_\_\_\_ OUA ☒ PENDING

Legislative Director

Date

Brian Putler

5/11/04

## ECONOMIC IMPACT

### Revenue Estimate

Revenue Losses for Fiscal Years SB 1179 as amended April 27, 2004 Enterprise Zone Extensions (\$ Millions)			
2006/2007	2007/2008	2008/2009	2009/2010
-5	-55	-68	-88

This bill does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

The original revenue loss was estimated to be: FY 2006/07 - \$60 million; FY 2007/08 - \$68 million; and FY 2008/09 - \$88 million.

### Revenue Discussion

Revenue losses for the extension of EZ designations would largely depend on the amount of qualifying property purchased subject to the sales tax, the amount of wages paid to qualifying employees, and the state tax liabilities of employers claiming these tax benefits under zone continuations.

Under this bill, 20 of the 39 zones would be eligible for the five-year extension. By 2007, ten EZs that were designated after 1990 (including four of the most costly EZs in the program – Long Beach, San Francisco, Oakland, and Richmond) would be extended under this bill. Based on prior year actual data, these zones would produce a revenue impact of \$60 million in 2007, the first full extension year (after allowing for unused tax credits and net operating losses (NOL's) that would be claimed under current law). A portion of this loss would occur as reduced estimated tax payments over the first half of 2007 (\$5 million is projected for 2006-07) for calendar year filers.

In fiscal year 2008/09, the loss is estimated at an additional \$68 million because another five EZs would be extended in addition to the first ten EZs that would continue to benefit from the tax incentives for zone businesses. In 2009/10, another five EZs would be extended in addition to the 15 EZs that would be utilizing the maximum benefits of the tax incentives by this fiscal year.

This analysis takes into account the current law provision that allows for the establishment of new zones for each expired zone. The creation of new zones typically encompasses a significant time-line before actual certifications are issued and tax benefits are reported on returns filed by eligible businesses.

## LEGISLATIVE STAFF CONTACT

Darrine Distefano  
Franchise Tax Board  
845-6458  
[darrine.distefano2@ftb.ca.gov](mailto:darrine.distefano2@ftb.ca.gov)

Brian Putler  
Franchise Tax Board  
845-6333  
[brian.putler@ftb.ca.gov](mailto:brian.putler@ftb.ca.gov)